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16 September 1963

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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

South Vietnam: The lifting of martial law today and the rescheduling of National Assembly elections for 27 September are further moves by the government to demonstrate that the political crisis has ended.

Civil restiveness continues, with some student demonstrations occurring on 14 September in three provincial cities previously free of student agitation. Tight controls on the populace probably will still be maintained by the strong combat police force. General Khiem, deputy to the armed forces commander, reportedly has stated that some military units would remain on security duty in Saigon.

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North Vietnam is trying to exploit the current world outcry over the situation of the Buddhists in South Vietnam. On 14 September, it broadcast a letter from South Vietnam's Liberation Front--the Viet Cong political arm--to the chairman of the UN General Assembly, reiterating the Front's demands that the US withdraw from South Vietnam, and that the parties concerned in South Vietnam stop the war, settle their differences among themselves, and set

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up a neutral, coalition government. The same theme was contained in a note sent by North Vietnam to the fourteen countries sponsoring discussion of the South Vietnam question in the UN.

In several recent engagements with the Viet Cong just north and to the south of Saigon, government troops have noted increased enemy use of recoilless rifles and heavy mortars. They have also captured increased quantities of equipment apparently originating in the bloc. This has included infantry weapons and some foodstuffs and printed matter. One Chinese Communist periodical found was dated June 1963.

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USSR - Canada - Australia: The USSR's purchase of large quantities of wheat from Canada and Australia probably is designed to replenish its reserves and to forestall the development of a critical grain shortage in the Soviet bloc.

Moscow will receive 5.3 million tons of wheat and 500,000 tons of flour from Canada--with a value of about \$450 million--by July 1964, and 1.2 million tons of wheat from Australia, presumably within a year. The most wheat the USSR has previously imported was in 1961 when 650,000 tons were purchased abroad.

Under the Canadian agreement, the USSR may divert shipments to Eastern Europe if Canadian sales there are not affected. The agreement also provides that some wheat and flour purchased on the Soviet account be shipped directly to Cuba. Most of the deliveries will require 25 percent down payment with the balance payable in three installments at six-month intervals. The Cuban shipments, however, must be paid for in full at time of delivery.

The USSR has had mediocre grain harvests each year since the record crop estimated at 125 million tons in 1958. It has also been exporting about five million tons annually to Eastern Europe and underdeveloped nonbloc countries for the past several years. As a result, Soviet grain reserves

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Apparently have been gradually drawn down and have reached a critical point. Rumors of impending bread shortages in the USSR have reportedly caused some scare buying.]

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[The purchase from Canada will go a long way toward restoring the Pearson government's prestige, severely damaged [redacted]

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last summer. The magnitude of the sale to the USSR, together with the recent agreement to provide the Chinese Communists with up to six million tons of wheat by July 1966, will encourage the minority liberal regime to open Parliament on 30 September with a vigorous legislative program.] [redacted]

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[redacted]

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DAILY BRIEF

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Brazil: The threat of a nation-wide strike in Brazil this week by the Communist-dominated General Workers Command (CGT) is aggravating the somewhat tense political situation.

President Goulart reportedly is considering asking Congress to declare a state of siege--modified martial law--if the strike is carried out. The new threat comes on the heels of the abortive sergeants' uprising in Brasilia which has been defended by the radical left. In the event of any serious outbreak, War Minister Jair Ribeiro and the majority of the military would probably support strong counter-measures by President Goulart.

Relations between the CGT and Goulart have been strained recently as a result of the Communist-incited strike which paralyzed Santos in early September, and because of Goulart's efforts to encourage the formation of a rival labor organization loyal to him personally.

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Indonesia-Malaysia: Indonesia has refused to recognize Malaysia, scheduled to be established today, but has implied that recognition would be possible if some further concession can be made on the issue of self-determination. The Philippines has followed Indonesia's lead in deferring recognition.

Both Indonesia and the Philippines apparently want to perpetuate the recently formed loose confederation, Maphilindo, which includes them and Malaya.

*At 0900 local time today, Indonesian mobs demonstrated first at the Malayan Embassy and then at the British Embassy in Djakarta. Both installations were stoned and windows broken. At the British Embassy automobiles and a flag were burned.

According to press reports, the mob which was 3,000 strong at the Malayan demonstration and 5,000 at the British Embassy moved to National Youth headquarters after one hour and fifteen minutes.

It appears that the Communist Party (PKI) may have taken control of the demonstrations. PKI youth groups spearheaded the attacks but most if not all elements were National Front members.

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NOTES

USSR-Algeria: Moscow has extended a \$100 million line of credit to Algeria, the first substantial aid Algeria has received from the Communist bloc. Contracts for specific economic development projects will be negotiated by an Algerian mission which is to go to the USSR. [redacted]

[redacted] the Soviet delegation indicated a willingness to complete projects which France had abandoned.

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Iran: [redacted] Disturbances are probable during Tuesday's parliamentary elections but violence will be minimal. Student discontent has increased and radical elements of the National Front opposition party have threatened to boycott the elections and commit acts of vandalism and terrorism. The government anticipates trouble and will have sufficient force available to ensure that any incidents will be quickly dealt with.

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South Korea: Junta leader Pak Chong-hui apparently has decided to bring back from Europe former security chief Kim Chong-pil, who favors harsh repressive measures, to ensure a government election victory this fall. The presidential election is scheduled for 15 October and that for the National Assembly for 26 November. Before his return he will visit New York on 20 September and then Washington, where he hopes to meet unofficially with prominent business, military, and congressional personalities to give the impression he has American support

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